

## **Modernizing the Medicare Benefit Package: Scenarios and Tradeoffs**

**ISSUE:** The Medicare benefits package was created in 1965 to ensure that the elderly population receive the same types of medical services provided to the working population. With a few exceptions, the Medicare benefits package has remained unchanged since that time despite significant changes in the benefit packages of most private insurance programs. Most notably, outpatient prescription drugs as well as other services are not currently reimbursed by the Medicare program. Furthermore, the financial liability of beneficiaries resulting from the current benefit package is substantial; less than half of all health care costs for the elderly are paid by the Medicare program. As such, there have been widespread calls to ‘modernize’ the Medicare benefit package.

**KEY POINTS:** What does ‘modernize’ the benefit package mean? Does it address the two important dimensions of any benefit package: 1) what is covered (both the medical and nonmedical services); and 2) the depth of the coverage (i.e., beneficiary financial liability)? Are benefits that are excluded from Medicare coverage necessary for the current practice of medicine? Can the Medicare benefit package be modernized to better prevent, delay and/or better manage the care of persons with chronic conditions or the frail elderly? Are geriatric or chronic care techniques of demonstrated effectiveness (e.g., disease management, case management, team approach etc.) difficult to implement because of the current Medicare benefit structure? Finally, what are possible approaches to modernizing the Medicare benefit package including the tradeoffs and advantages associated with each approach?

**ACTION:** The Commission should focus its discussion on which of the following topics should be the cornerstone of the June 2002 Report:

- 1) Develop a conceptual model to assist policymakers to examine these issues;
- 2) Develop specific recommendations (both in terms of content and financing) for reform of the Medicare benefit package; and/or
- 3) Delineate the next steps to implementing a modernized benefit package – that is how do we get there and what are the tradeoffs and possibilities?

The first option would most likely result in general broad recommendations. The second option could result in more specific recommendations (e.g., in the areas of pharmaceutical coverage, chronic care services, preventive care, beneficiary financial liability, etc.) The third option would make recommendations between alternate strategies to implementing a modernized benefit package.

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